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ABSTRACT

The New York State Comptroller's Office (CO) conducted an examination of state operating aid and contract course aid to Erie Community College (ECC) for fiscal years 1989-90 and 1990-91. The CO determined that ECC was liable to the state of New York for $6,312 of operating aid and $183,275 of contract course aid claimed and received in excess of the amounts due ECC. Following a summary of the CO's findings, this report presents background information on ECC. Next, detailed results of the audit are provided. First, a summary and background information is presented, including state definitions of and policies related to basic state aid, supplemental state aid, and contract course aid, and the audit adjustment. Next, a review of the CO's adjustments in ECC's claims for basic state aid examines the college's net operating costs, full time equivalent (FTE) students, and disadvantaged student aid. An overview is then provided of the CO's adjustment in ECC's supplemental state aid, in which it is claimed that the college claimed students who were not in attendance on or after the census date. Finally, the state's overpayment of $183,275 to ECC for contract course aid is addressed. Attachments include two exhibits, the first showing the settlement of ECC's state aid operating account and the second showing data on contract course aid; and supporting financial schedules on ECC's net allowable operating costs for basic state aid, FTE students, basic state aid rates, disadvantaged student aid, rental cost aid, supplemental state aid, and state aid payments for 1989-90 and 1990-91. (MAB)

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12236

EDWARD V. REGAN
STATE COMPTROLLER

August 14, 1992

DIVISION OF MANAGEMENT AUDIT
AND FINANCIAL REPORTING

Audit Report of Erie Community College.
Report 92-S-46.

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EDWARD V. REGAN
STATE COMPTROLLER

August 14, 1992

DIVISION OF MANAGEMENT AUDIT
AND FINANCIAL REPORTING

Louis M. Ricci
President
Erie Community College
121 Ellicott Street
Buffalo, NY 14203

Re: Report 92-S-46

Dear President Ricci:

Pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we have made a determination of New York State's liability for operating aid and contract course aid to Erie Community College (College) under Section 6304 of the New York State Education Law. The audit period for both State operating and contract course aid is the two College fiscal years ended August 31, 1991. Our analysis and determination was based on interpretation of this Law as amplified by the appropriate sections of the Code of Standards and Procedures for the Administration and Operation of Community Colleges issued by the State University of New York (SUNY).

Based on the results of our examination, we have determined that the College is liable to the State of New York for $6,312 of State operating aid and $183,275 of contract course aid claimed and received in excess of the amounts determined to be due the College as follows:

Summary of State Operating Aid Settlement

State Aid Claimed by the College for the Two-Year Period Ended August 31, 1991	$34,918,018
Less: State Aid Allowed Per Audit	34,617,494
Audit Adjustments	$ 300,524
State Aid Payments Applicable to the Two Year Period Ended August 31, 1991	$34,623,806
Less: State Aid Allowed Per Audit	34,617,494
Overpayment of State Operating Aid to be Recovered from College	$ 6,312

Summary of Contract Course Aid Settlement

State Aid Paid to the College for the Two-Year Period Ended August 31, 1991	$ 1,288,500
Less: Contract Course Aid Claimed and Allowed Per Audit	1,105,225
Overpayment of Contract Course Aid to be Recovered from College	$ 183,275

Copies of this draft audit report were submitted to College and SUNY officials for their comments. These officials agree with our audit determinations.

A. Introduction

Erie Community College was established in 1953 under the sponsorship of Erie County in accordance with Article 126 of the State Education Law. The Board of Regents authorized the College to offer programs leading to Associate degrees in Arts, Science, Applied Science and Occupational Science. Several one-year certificate programs are also offered.

The number of full-time equivalent (FTE) students increased during the audit period by 4.9 percent from 9,981 in 1989-90 to 10,473 in 1990-91. At the same time, operating costs per FTE student increased 4.7 percent from $3,904 in 1989-90 to $4,087 in 1990-91.

B. Results of Audit - Operating Aid

1. Background and Summary

a. Basic State Aid

Beginning with the 1971-72 fiscal year, regular State aid for community colleges is computed under the Ingler Formula. This Formula limits aid to the lowest of: (a) 40 percent of net operating costs, (b) 40 percent of the net operating budget approved by SUNY, or (c) a base amount for each computed FTE student plus incremental amounts contingent on the following conditions:

- The College will receive $35 per FTE student if the local sponsor's contributions for operating costs are at least 50 cents per thousand dollars of the full valuation of taxable real property in the sponsor's jurisdiction.

- The College will receive $212 for each full-time disadvantaged student if the ratio of the average number of full-time disadvantaged students from the sponsorship area to the average number of full-time students from the sponsorship area is at least as great as the ratio of disadvantaged persons to the total population of the sponsorship area.

Beginning in 1981-82, basic State aid payable on FTE students is limited by a weighted average calculation based on enrollment in the prior three years. For the 1981-82 year, the number of FTE students eligible for State funding was computed as follows: 50 percent of 1980-81 enrollment, 30 percent of 1979-80 enrollment, and 20 percent of 1978-79 enrollment. The number of FTE students for the 1982-83 year was computed in a similar manner. Beginning in 1983-84, basic State aid is based on the preceding method or the previous year's actual enrollment, whichever is greater. For the 1990-91 year, students enrolled in non-credit community service courses are not allowed for State operating aid.

Basic State aid is also provided to the College based on 50 percent of allowable facility rental costs.

b. Supplemental State Aid

The Ingler Formula provides supplemental State aid ($195) for each FTE student enrolled in non-business technically-oriented Associate in Science or Associate in Applied Science degree programs. Additionally, supplemental State aid ($82) is provided for each FTE student enrolled in eligible business programs.

c. Contract Course Aid

Beginning in 1981-82, State aid is provided for FTE students enrolled in approved vocationally-oriented courses offered to outside organizations on a contract basis. State aid per FTE student enrolled in contract courses is equal to the basic State aid rate approved for the College's regular FTE student enrollment.

d. Summary

Settlement of the State's operating aid liability for the two-year period September 1, 1989 through August 31, 1991 is presented in Exhibit A and supporting Schedules A-1 through A-7. Our audit adjustments are summarized as follows:

Audit Adjustments	(Increase) Decrease
1. Basic State Aid - Net Operating Costs	$ 285,457
2. Supplemental State Aid	15,067
Total Audit Adjustments	$ 300,524

2. Basic State Aid

The College was entitled to basic State aid for the 1989-90 and 1990-91 years based on 40 percent of net allowable operating costs. Therefore, any audit adjustments relating to FTE students, disadvantaged student aid and rental cost aid do not apply to the 1989-90 and 1990-91 years.

Our examination of the College's basic State aid claims for the two-year period ended August 31, 1991 resulted in a basic State aid adjustment of $285,457 as follows:

a. Net Operating Costs

The College improperly reported computer acquisition costs for the year ended August 31, 1990. The College purchased an upgrade to its computer equipment and computer software for $1,287,792. The College claimed this amount for State aid. However, we found that, as part of this purchase, the vendor made a grant of $534,783 to the College's sponsor (Erie County); the sponsor subsequently paid the grant funds to the College. The grant paid to the sponsor, for the most part, represented computer equipment vendor discounts that would have normally been afforded to the College.

We question the propriety of this transaction. We believe that State aid should be paid on the net computer acquisition cost. Accordingly, we adjusted the College's claimed computer acquisition costs for this year by $534,784 to reflect the amount allowable. This adjustment affected the State aid claimed by the College for the 1989-90 year because the College was entitled to State aid in this year based on 40 percent of net operating costs. The $534,786 adjustment reduced State aid by $213,914 ($534,786 X 40 percent). In addition, the College prepaid for a three year maintenance agreement for the computer mainframe. The net cost of this maintenance agreement, after deducting the vendor's discount, was $102,702. The College charged the entire expense to the 1989-90 year, rather than the appropriate one-third amount during each of the three years ended August 31, 1992. The College also did not properly adjust its insurance expenses in each of the two years audited.

b. FTE Students

We decreased the FTE Students reported by the College for the 1987-88, 1988-89 and 1989-90 years to account for FTE students generated by non-credit community service courses. This adjustment did not affect allowable State aid for the two years ended August 31, 1991.

c. Disadvantaged Student Aid

The College claimed $779,948 in disadvantaged student aid for the two years 1989-90 and 1990-91. We increased disadvantaged student aid for these two years by a net amount of $223,766 (1,055.5 students X $212) because the College did not claim all students who were eligible. This adjustment did not affect allowable State aid for the two years ended August 31, 1991.

3. Supplemental State Aid

For the two-year period ended August 31, 1991, the College claimed $1,916,686 in supplemental State aid. We decreased supplemental State aid by $15,067 because the College claimed students who were not in attendance on or after the census date.

4. Contract Course Aid

The College claimed $1,105,225 in contract course aid and received $1,288,500 resulting in an overpayment of $183,275.

We thank the College's management and staff for the courtesies and cooperation extended to our auditors during this examination.

Very truly yours,

Roland M. Malan
Assistant Deputy Comptroller

cc: Patrick J. Bulgaro
D. Bruce Johnstone

EXHIBIT A

ERIE COMMUNITY COLLEGE
SETTLEMENT OF STATE AID - OPERATING ACCOUNT
FOR THE PERIOD SEPTEMBER 1, 1989 THROUGH AUGUST 31, 1991

	1989-90	1990-91	TOTAL
Budgeted State Aid = A	$ 17,606,923	$ 18,416,748	$ 36,023,671
Claimed State Aid	$ 16,838,988	$ 18,079,030	$ 34,918,018
Net Allowable Operating Costs (Schedule A-1)	$ 39,005,072	$ 42,784,614	
Net Allowable Operating Costs at 40 Percent = B	$ 15,602,029	$ 17,113,846	$ 32,715,875
FTE Students Approved for Basic State Aid (Schedule A-2)	9,623.3	9,913.8	
Approved Basic State Aid Rate (Schedule A-3)	$ 1,710	$ 1,725	
Net Basic State Aid	$ 16,455,843	$ 17,101,271	$ 33,557,114
Approved Disadvantaged Student Aid (Schedule A-4)	475,834	527,880	1,003,714
Approved Rental Aid (Schedule A-5)	99,439	107,316	206,755
Total Basic State Aid Based on FTE Students = C	$ 17,031,116	$ 17,736,467	$ 34,767,583
Basic State Aid Calculated per Audit - Lesser of B or C	$ 15,602,029	$ 17,113,846	$ 32,715,875
Approved Supplemental State Aid (Schedule A-6)	957,218	944,401	1,901,619
Calculated State Aid = D	$ 16,559,247	$ 18,058,247	$ 34,617,494
Approved State Aid - Lesser of A or D	$ 16,559,247	$ 18,058,247	$ 34,617,494
Payments by New York State (Schedule A-8)	16,957,893	17,665,913	34,623,806
Over(Under)payment of Operating Aid to be Recovered from College	$ 398,646	$ (392,334)	$ 6,312

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EXHIBIT B

ERIE COMMUNITY COLLEGE
CONTRACT COURSE AID
FOR THE PERIOD SEPTEMBER 1, 1989 THROUGH AUGUST 31, 1991

	1989-90	1990-91	TOTAL
Budgeted Contract Course Aid	$ 598,500	$ 690,000	$ 1,288,500
Contract Course Aid Claimed	$ 469,908	$ 635,317	$ 1,105,225
Adjustments:			
Total Adjustments			
Approved Contract Course Aid	$ 469,908	$ 635,317	$ 1,105,225
Payments by New York State	598,500	690,000	1,288,500
Overpayment to be Recovered from College	$ 128,592	$ 54,683	$ 183,275

SCHEDULE A-1

ERIE COMMUNITY COLLEGE
BASIC STATE AID
NET ALLOWABLE OPERATING COSTS
FOR THE PERIOD SEPTEMBER 1, 1989 THROUGH AUGUST 31, 1991

	1989-90	1990-91
Net Allowable Operating Costs	$ 39,679,217	$ 42,824,111
Adjustments:		
CPA Audit Adjustment - Prepaid Insurance	(70,891)	(73,731)
Computer Cost - Grant	(534,786)	
Maintenance Agreement	(68,468)	34,234
Total Adjustments	(674,145)	(39,497)
Net Allowable Operating Costs	$ 39,005,072	$ 42,784,614

ERIE COMMUNITY COLLEGE
BASIC STATE AID
FTE STUDENTS
FOR THE PERIOD SEPTEMBER 1, 1989 THROUGH AUGUST 31, 1991

	1989-90	1990-91
FTE Students Claimed	9,876.2	10,253.2
Actual FTE Students Reported	10,253.2	10,815.6
Less: Non-Credit Community Service FTE Students Included in FTE Students Reported		(198.5)
Audited FTE Students Reported	10,253.2	10,617.1
Audit Adjustments:		
Credit Courses		
Documentation	8.2	
Attendance	(219.2)	(114.1)
Non-Credit Courses		
Documentation		
No support; not a course; ecc provides space only]	(61.3)	(30.5)
Total Audit Adjustments	(272.3)	(144.6)
FTE Students Approved by Audit	9,980.9	10,472.5
Adjustment to FTE Students Based on Weighted Average Calculation (See Note Below)	(357.6)	(558.7)
FTE Students Approved for Basic State Aid	9,623.3	9,913.8

Note: Beginning in 1981-82, New York State established a formula to determine the number of Full-Time Equivalent (FTE) Students eligible for State funding. This formula is based on a weighted average of enrollment in the prior three years. For example, the number of FTE Students eligible for State funding in 1984-85 is the sum of: 50% of 1983-84 enrollment, 30% of 1982-83 enrollment and 20% of 1981-82 enrollment. Beginning in 1983-84, Community Colleges could claim the higher of that Formula or the number of FTE students actually enrolled in the preceding year. Our calculations are shown on the following page:

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1989-90

YEAR	AUDITED FTE STUDENTS	WEIGHT FACTOR	APPROVED FTE STUDENTS
1986-87	8,474.8	20%	1,695.0
1987-88	9,251.3	30%	2,775.4
1988-89	9,623.3	50%	4,811.7
			9,282.1

FTE STUDENTS APPROVED IN 1986-87: 9,623.3

1990-91

YEAR	AUDITED FTE STUDENTS	WEIGHT FACTOR	APPROVED FTE STUDENTS
1987-88	9,053.3	20%	1,810.7
1988-89	9,431.6	30%	2,829.5
1989-90	9,913.8	50%	4,956.9
			9,597.1

FTE STUDENTS APPROVED IN 1987-88: 9,913.8

YEAR	AUDITED FTE STUDENTS	LESS NON-CREDIT COMM SERV	NET ALLOWABLE FTE
1987-88	9,251.3	198.0	9,053.3
1988-89	9,623.3	191.7	9,431.6
1989-90	9,980.9	67.1	9,913.8

SCHEDULE A-3

ERIE COMMUNITY COLLEGE
BASIC STATE AID RATES
FOR THE PERIOD SEPTEMBER 1, 1989 THROUGH AUGUST 31, 1991

	1989-90	1990-91
Basic State Aid	$ 1,675	$ 1,725
Millage Aid Condition	35	
Approved Basic State Aid Rate	$ 1,710	$ 1,725

SCHEDULE A-4

ERIE COMMUNITY COLLEGE
BASIC STATE AID
DISADVANTAGED STUDENT AID
FOR THE PERIOD SEPTEMBER 1, 1989 THROUGH AUGUST 31, 1991

	1989-90	1990-91	TOTAL
Disadvantaged Student Aid Claimed	$ 225,356	$ 554,592	$ 779,948
Disadvantaged Students Claimed	1,063.0	2,616.0	3,679.0
Adjustments:			
Documentation	(1,181.5)	126.0	(1,055.5)
Total Adjustments	(1,181.5)	126.0	(1,055.5)
Approved Disadvantaged Students	2,244.5	2,490.0	4,734.5
Aid Rate	$ 212	$ 212	
Approved Disadvantaged Student Aid	$ 475,834	$ 527,880	$ 1,003,714

SCHEDULE A-5

ERIE COMMUNITY COLLEGE
BASIC STATE AID
RENTAL COST AID
FOR THE PERIOD SEPTEMBER 1, 1989 THROUGH AUGUST 31, 1991

	1989-90	1990-91	TOTAL
Approved Rental Costs	$ 198,878	$ 214,632	$ 413,510
Aid Rate	50%	50%	
Approved Rental Cost Aid	$ 99,439	$ 107,316	$ 206,755

SCHEDULE A-6

ERIE COMMUNITY COLLEGE
SUPPLEMENTAL STATE AID
FOR THE PERIOD SEPTEMBER 1, 1989 THROUGH AUGUST 31, 1991

	1989-90	1990-91	TOTAL
Supplemental State Aid Claimed	$ 967,301	$ 949,385	$ 1,916,686
Adjustments:			
Ineligible Students Claimed	(10,083)	(4,984)	(15,067)
Total Adjustments	(10,083)	(4,984)	(15,067)
Approved Supplemental State Aid	$ 957,218	$ 944,401	$ 1,901,619

SCHEDULE A-7

ERIE COMMUNITY COLLEGE
STATE AID PAYMENTS
FOR THE PERIOD SEPTEMBER 1, 1989 THROUGH AUGUST 31, 1991

	1989-90	1990-91	TOTAL
State Aid Payments Made During the Audit Period	$ 16,957,893	$ 17,665,913	$ 34,623,806
Prior Period Audit Adjustments			
Payments by New York State	$ 16,957,893	$ 17,665,913	$ 34,623,806